

**Audit of Timber Harvesting, Road
Construction, Maintenance and Deactivation**

Chunzoolh Forest Products Ltd.

Non-Replaceable Forest Licence A72190



FPB/ARC/85

November 2006

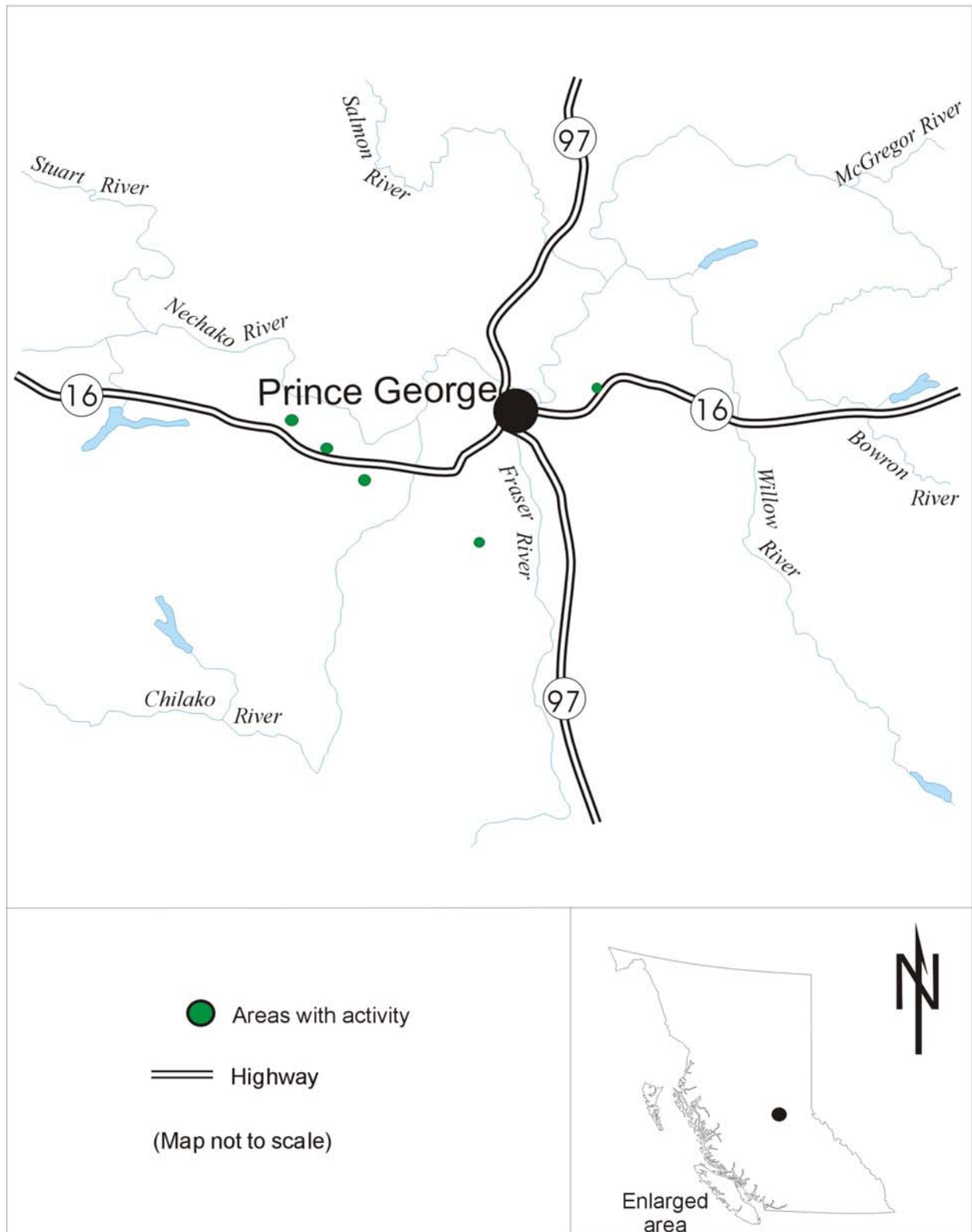
Board Commentary

In summer 2006, the Board conducted a limited scope compliance audit of Chunzoolh Forest Products Limited. Chunzoolh held a non-replaceable forest licence to harvest 50,000 cubic metres of timber within the Prince George Forest District (see map on page 2).

The unprecedented mountain pine beetle epidemic continues in the interior of the province, including the area audited. In response to this epidemic, Chunzoolh focussed its harvesting activities on the salvage of infested stands.

Given the pressure to salvage infested stands while still economically viable, the Board is pleased that Chunzoolh is in full compliance with the requirements of forest practices legislation relating to timber harvesting and road construction, maintenance and deactivation. Although Chunzoolh has completed its cut on this licence, the Board encourages Chunzoolh to continue to operate in this diligent manner if it obtains an additional licence in future.

Prince George Limited Scope Audit Chunzoolh Forest Products



Audit Results

Background

As part of the Forest Practices Board's 2006 compliance audit program, the Board selected two non-replaceable forest licences in the Prince George forest district for audit. This audit report is for the Chunzoolh Forest Products Limited's (Chunzoolh) non-replaceable forest licence (NRFL) A72190.

The Board randomly selected the Prince George forest district for a multi-licence limited scope audit in 2006. Chunzoolh was selected as one of the two largest and active NRFL's within the district, and not on the basis of location or past performance. Information about the Board's compliance audit process is provided in Appendix 1.

Non-replaceable forest licences provide a licensee with the right to harvest a specified volume of timber from a timber supply area, within a certain timeframe.

Under NRFL A72190, the provincial government committed 50,000 cubic metres of timber to Chunzoolh, and all harvesting activity was aimed at stands infested by the mountain pine beetle.

The Board's audit fieldwork took place from July 10-13, 2006. By that time, Chunzoolh had harvested all of its volume under NRFL A72190.

Audit Approach and Scope

The Board conducted a "limited scope" audit which means that only harvesting, road activities and associated planning were examined. Harvesting and road activities that took place between July 1, 2005, and July 13, 2006, were included in the scope of the audit. These activities were assessed for compliance with the *Forest Practices Code of British Columbia Act* (the Code), the *Forest and Range Practices Act* (FRPA)¹ and related regulations.

The Board's audit reference manual, *Compliance Audit Reference Manual, Version 6.0, May 2003*, and the addendum to the manual for the 2006 audit season, set out the standards and procedures that were used to carry out this audit.

Planning and Practices Examined

Planning

The Prince George Forest District manager exempted Chunzoolh from a number of planning requirements, in accordance with the provisions of the former *Bark Beetle Regulation* (BBR). The BBR (now repealed) exempted licensees from most operational planning requirements, such as providing maps and schedules in forest development plans (FDP) and preparing site plans. These exemptions were permitted as long as harvesting was restricted to trees infested with bark beetles, or trees that had to be removed to reach infested trees.

Chunzoolh planned harvesting and road activities in its 2003-2005 FDP and subsequent amendments. Auditors reviewed the FDP and amendments to ensure that they complied with legislated requirements.

Harvesting

To operate in accordance with the BBR, cutblocks had to be smaller than 15 hectares, or the volume of wood from each cutblock had to be less than 5,000 cubic metres. Chunzoolh harvested 211 hectares of timber in 87 different cutblocks during the audit period. The average cutblock size was less than 2.5 hectares. Harvesting was concentrated in five operating areas, shown on the map on page 4. Auditors examined every cutblock.

Roads

Chunzoolh built and maintained approximately 12 kilometres of road and trails to access cutblocks. Once harvesting was complete, Chunzoolh deactivated all of the road and trails. Board auditors examined all of the roads and trails that Chunzoolh built and deactivated. As the roads had been deactivated, the Board could not audit road maintenance practices.

Audit Opinion

In my opinion, the timber harvesting; road construction and deactivation; and the associated operational planning carried out by Chunzoolh Forest Products Limited on non-replaceable forest licence A72190 for the period July 1, 2005, to July 13, 2006, complied in all significant respects with the requirements of the *Forest Practices Code of British Columbia Act* and the *Forest and Range Practices Act* and related regulations as of July 2006. No opinion is provided regarding road maintenance activities.

In reference to compliance, the term “in all significant respects” recognizes that there may be minor instances of non-compliance that either may not be detected by the audit, or that are detected but not considered worthy of inclusion in the audit report.

The *Audit Approach and Scope* and the *Planning and Practices Examined* sections of this report describe the basis of the audit work performed in reaching the above conclusion. The audit was conducted in accordance with the auditing standards of the Forest Practices Board. Such an audit includes examining sufficient forest planning and practices to support an overall evaluation of compliance with the Code and FRPA.



Christopher R. Mosher CA, CEA(SFM)
Director, Audits
November 10, 2006

¹ Most of the *Forest Practices Code of British Columbia Act* (the Code) was repealed on January 31, 2004, and replaced with the *Forest and Range Practices Act* (FRPA). The transitional provisions of FRPA state that the Code continues to apply to forest practices carried out under a forest development plan. This continues until there is an approved forest stewardship plan, at which point, the requirements of FRPA apply. Therefore, although FRPA came into effect prior to the audit period, the legislated forest practices requirements that applied to the auditee were the requirements of the Code.

Appendix 1:

Forest Practices Board Compliance Audit Process

Background

The Forest Practices Board conducts audits of government and agreement-holders for compliance with the *Forest Practices and Range Practices Act* (FRPA) and the *Wildfire Act* (WA). The Board has the authority to conduct these periodic independent audits under section 122(1) of FRPA and section 68(1) of WA. Compliance audits examine forest planning and practices to determine whether or not they meet FRPA and WA requirements.

Most of the *Forest Practices Code of British Columbia Act* (the Code) was repealed on January 31, 2004, and replaced with FRPA. The transitional provisions of FRPA state that the Code continues to apply to forest practices carried out under a forest development plan, until there is an approved forest stewardship plan, at which point the requirements of FRPA apply.

The Board audits agreement holders who have forest licences or other tenures under the *Forest Act* or the *Range Act*. The Board also audits government's British Columbia Timber Sales (BCTS) program. Selection for audit, of both areas and licensees or agreement-holders to be audited, is made randomly to ensure a fair, unbiased selection.

Audit Standards

Audits by the Board are conducted in accordance with the auditing standards developed by the Board. These standards are consistent with generally accepted auditing standards.

The audits determine compliance with the Code, FRPA and WA, based on criteria derived from those Acts and related regulations. The criteria reflect judgments about the level of performance that constitutes compliance with each requirement.

The standards and procedures for compliance audits are described in the Board's *Compliance Audit Reference Manual*.

Audit Process

Conducting the Audit

Once the Board randomly selects an audit licensee and area, all activities carried out during the period subject to audit are identified (such as harvesting or replanting, and road construction or deactivation activities). Items that make up each forest activity are referred to as a population. For example, all sites harvested form the timber harvesting population and all road sections constructed form the road construction population.

A separate sample is then selected for each population (e.g., the cutblocks selected for auditing timber harvesting). Within each population, more audit effort (i.e., more audit sampling) is allocated to areas where the risk of non-compliance is greater.

Audit field work includes assessments of features using helicopters and ground procedures, such as measuring specific features like riparian reserve zone width. The audit teams generally spend one to two weeks in the field.

Evaluating the Results

The Board recognizes that compliance with the many requirements of the Code, FRPA and WA, is more a matter of degree than absolute adherence. Determining compliance, and assessing the significance of non-compliance, requires the exercise of professional judgment within the direction provided by the Board.

The audit team, composed of professionals and technical experts, first determines whether forest practices comply with legislated requirements. For those practices considered to not be in compliance, the audit team then evaluates the significance of the non-compliance, based on a number of criteria, including the magnitude of the event, the frequency of its occurrence and the severity of the consequences.

Auditors categorize their findings into the following levels of compliance:

Compliance – where the auditor finds that practices meet Code, FRPA and WA requirements.

Not significant non-compliance – where the auditor, upon reaching a non-compliance conclusion, determines that one or more non-compliance event(s) is not significant and not worthy of reporting. Therefore, this category of events will not be included in audit reports.

Significant non-compliance – where the auditor determines a non-compliance event(s) or condition(s) is or has the potential to be significant, and is considered worthy of reporting.

Significant breach – where the auditor finds that significant harm has occurred, or is beginning to occur, to persons or the environment as a result of one or many non-compliance events.

If it is determined that a significant breach has occurred, the auditor is required by the *Forest Practices Board Regulation* to immediately advise the Board, the party being audited, and the Minister of Forests and Range.

Reporting

Based on the above evaluation, the auditor then prepares a draft audit report. The party being audited is given a draft of the report for review and comment before it is submitted to the Board.

Once the auditor submits the draft report, the Board reviews it and determines if the audit findings may adversely affect any party or person. If so, the party or person must be given an opportunity to make representations before the Board decides the matter and issues a final report. The representations allow parties that may potentially be adversely affected to present their views to the Board.

The Board then reviews the draft report from the auditor and the representations from parties that may potentially be adversely affected before preparing its final report. Once the representations have been completed, the report is finalized and released, first to the auditee, and then to the public and government.

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NEWS RELEASE

For Immediate Release
November 30, 2006

Chunzoolh Forest Products gets clean audit for beetle timber harvest

VICTORIA – The Forest Practices Board has given Chunzoolh Forest Products Ltd. a clean audit for its harvesting of beetle-infested timber in the Prince George Forest District.

The board audited Chunzoolh’s non-replaceable forest licence A72190, which authorized the company to cut 50,000 cubic metres of timber infested by the mountain pine beetle. The beetle epidemic has hit the interior of the province especially hard and the auditee focused all of its harvesting activities on the salvage of infested stands.

“Given the pressure to salvage infested stands quickly while they are still commercially viable, the board is pleased that Chunzoolh is in full compliance with the requirements of forest practices legislation relating to timber harvesting and road construction, maintenance and deactivation,” said board chair Bruce Fraser.


The audit covered harvesting and road activities, and associated planning, by Chunzoolh between July 1, 2005 and July 13, 2006.


The Forest Practices Board is B.C.’s independent watchdog for sound forest and range practices, reporting its findings and recommendations directly to the public and government. The board:


- audits forest and range practices on public lands;
- audits appropriateness of government enforcement;
- investigates public complaints;
- undertakes special investigations of current forestry issues;
- participates in administrative appeals; and
- makes recommendations for improvement to practices and legislation.




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Chunzoolh Forest Products Ltd. - NRFL A72190

Forest operations undertaken by Chunzoolh Forest Products Ltd., on non-replaceable forest licence A72190, in the Prince George Forest District are in full compliance with the requirements of forest practices legislation. Chunzoolh performed diligently in its salvage of beetle infested forest stands.

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